

Message Text

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C O N F I D E N T I A L SECTION 1 OF 3 MONTEVIDEO 4928

E.O. 11652: GDS
TAGS: PGOV, PINT, PFOR, EGEN, UY
SUBJ: THE GOU SIX MONTHS AFTER BORDABERRY

1. SUMMARY. THE CONDUCT OF GOVERNMENTAL AFFAIRS HAS
DETERIORATED SINCE THE REMOVAL OF JUAN BORDABERRY IN JUNE.
IN THE MAIN, POLICIES HE ADVOCATED ARE BEING FOLLOWED,
BUT HIS REMOVAL, EVEN THOUGH HIS POWERS WERE LIMITED, LEFT
A GROWING LEADERSHIP VACUUM WHICH REMAINS UNFILLED. WITH NO
IDENTIFIABLE NATIONAL LEADER, THE FORMAL PRESIDENTIAL SYSTEM HAS
REVERTED, IN EFFECT, TO THE COLLEGIAL PATTERN WHICH HAS BEEN USED
BEFORE IN URUGUAY. POWER IS THUS DIFFUSED AMONG TWENTY-ODD
MEMBERS OF A JUNTA OF GENERALS WHICH, ALTHOUGH A FEW ARE
MORE INFLUENTIAL THAN OTHERS, MAKE DECISIONS BY CONSENSUS
WHICH USUALLY REPRESENTS THE LEAST ABRASIVE COMMON POSITION.
KEY PEOPLE HAVE RECENTLY LEFT THE ADMINISTRATION, INCLUD-
ING FONMIN BLANCO WHO HAS JUST RESIGNED. OTHERS MAY SOON
GO. GIVEN THIS TREND COUPLED WITH DISLIKE FOR PRESIDENT MENDEZ,
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AND GROWING MILITARY ARBITRARINESS AND INSENSITIVITY, CAPABLE
PEOPLE ARE RELUCTANT TO JOIN THE GOVERNMENT. DESPITE THIS, 1976 HAS
BEEN A BANNER YEAR ECONOMICALLY, LARGELY DUE TO THE MOMENTUM OF
PROGRAMS ESTABLISHED BY THE FORMER MINISTER OF ECONOMY VEGH.
HOWEVER, ALTHOUGH THERE ARE FREQUENT DECLARATIONS OF FIDELITY TO
THE VEGH LINE, THERE ARE SIGNS THAT A NEW ECONOMIC TEAM OF

TWO CIVILIANS AND TWO GENERALS ARE MOVING AHEAD WITH ECONOMIC POLICY, BUT NOT WITH ECONOMIC POLICY MAKING. IN THE MEAN-TIME, THE PROBLEM OF LEADERSHIP GROWS AND MANY NOW SEEM TO FEEL THAT THAT LEADERSHIP MAY EVENTUALLY BE PROVIDED BY THE INTELLIGENT AND AMBITIOUS GENERAL GREGORIO ALVAREZ. CONSENSUS ON IDENTIFYING WITH THE WEST IN THE WORLD ARENA, MUCH CLOSER TIES WITH REGIMES OF THE AREA, A FERVENT ANTI-COMMUNISM AND A GRADUAL MOVE TOWARD POLITICAL LIBERLIZATION ARE EXPECTED TO LIMIT RADICAL POLICY CHANGES IN THESE AREAS, REGARDLESS OF CHANGES IN PERSONALITIES. END SUMMARY.

2. ASSESSED SIX MONTHS LATER WE CONFIRM OUR INITIAL VIEW THAT THE MILITARY'S OUSTER OF PRESIDENT BORDABERRY ON JUNE 12, 1976 WAS CLEARLY A MISTAKE, A MISTAKE NOW RECOGNIZED AS SUCH BY MANY MILITARY OFFICERS. AT THE TIME, BORDABERRY WAS ARGUING FOR FURTHER INSTITUTIONALIZATION OF THE STATUS QUO, BUT WITH HIS ROLE AS CIVILIAN LEADER ENHANCED AND THAT OF THE MILITARY REDUCED TO A MORE TRADITIONAL, NATIONAL DEFENSE AND SUPPORTING ROLE. THE MILITARY CLAIMED THAT THE NATION WAS RECOVERING ECONOMICALLY AND THAT PLANS SHOULD BE MADE TO PROCEED WITH GRADUAL POLITICAL LIBERALIZATION. THE THE SIX MONTHS WHICH HAVE PASSED, WE HAVE SEEN THE MILITARY INSTITUTIONALIZE THE STATUS QUO AS BORDABERRY HAD WANTED (BUT WITH AASENHANCED, RATHER THAN A DIMINISHED MILITARY ROLE) AND LITTLE MORE THAN EXPECTED LIP SERVICE GIVEN TO THE PROCESS OF POLITICAL LIBERALIZATION.

3. SINCE BORDABERRY'S DEPARTURE, THE PRESIDENCY HAS PLAYED A VERY WEAK ROLE. EIGHTY YEAR OLD ALBERTO DEMICHELI
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OCCUPIED THE OFFICE FROM JUNE 12 TO SEPTEMBER 1. THIS DISTINGUISHED OLD GENTLEMAN ACTED AS PRESIDENT, BUT DID NOT LEAD OR GOVERN. IN FACT, HE WILL PROBABLY BE REMEMBERED BEST FOR HAVING REFUSED TO SIGN THE SAME ONEROUS INSTITUTIONAL ACTS BORDABERRY HAD REFUSED TO SIGN, RATHER THAN FOR HAVING DONE ANYTHING POSITIVE.

4. DR. APARICIO MENDEZ WAS CHOSEN BY THE COUNCIL OF THE NATION TO BEGIN AN UNEXPECTEDLY PROLONGED FIVE-YEAR TERM AS PRESIDENT ON SEPT.

1. ALTHOUGH A DISTINGUISHED SCHOLAR, MENDEZ WAS NOT SUCCESSFUL AS A PRACTICING LAWYER AND WAS DISLIKED BY A LARGE SEGMENT OF THE POPULATION FOR HIS EXTREME RIGHTIST POLITICAL VIEWS. (FOR CONTRAST, HE REPRESENTED AS A LAWYER THE LIBERAL WIDON FERREIRA IN AN ELECTORAL CHALLENGE IN 1971.) MENDEZ' IMAGE HAS SINCE DETERIORATED FURTHER.
1 SUPPORT ACGNG#THE POPULACE IS

VIRTUALLY NON-EXISTENT AND THERE IS A GROWING FEELING AMONG THE MILITARY THAT THEY MADE A MISTAKE AND ARE SADDLED WITH THE WRONG MAN; HE DOES, HOWEVER, APPEAR TO BE CONTENT TO GO ALONG WITH THE DECISIONS MADE BY THE MILITARY.

5. IF THE PRESIDENT IS LARGELY A FIGUREHEAD, WHO IS GOVERNING URUGUAY? UNFORTUNATELY, NO ONE IS PROVIDING TRUE LEADERSHIP AND NO SINGLE PERSON OR EVEN SINGLE GROUP CAN BE SAID TO BE GOVERNING. IN THIS POLITICAL SENSE, THE SHIP OF STATE IS WALLOWING. ALTHOUGH TECHNICALLY PRESIDENTIAL, THE SYSTEM AMOUNTS TO A REVIVAL OF URUGUAY'S OLD COPPXMIAL#SYSTEM WITH POWER DIFFUSED IN A LARGE JUNTA OF GENERALS WHICH, LIKE THE COUNTRY, HAS NO DOMINANT LEADER. COMPLICATING THE PICTURE SOMEWHAT IS THE FACT THAT SOME IMPORTANT DECISIONS ARE SOMETIMES MADE BY SMALLER GROUPS, SUCH AS THE ECONOMIC TEAM. WHERE CONFLICTS ARISE, THEY ARE BROUGHT TO THE THREE-MAN JUNTA OF CINCS, TO COSENA, (THE NATIONAL SECURITY COUNCIL) AND OCCASIONALLY, AND PERHAPS NOW
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MORE FREQUENTLY, TO THE FULL JUNTA OF 20 GENERAL AND FLAG RANK OFFICERS.

BASIC TO THE PROBLEM IS THE FACT THAT THE NATION HAS A PRESIDENT BUT NOT A LEADER. THERE IS NO SINGLE FIGURE YET ABLE TO FILL THE LEADERSHIP VACUUM. AS REPORTED IN MONTEVIDEO 4240, THERE ARE INDICATIONS THAT GENERAL GREGORYP ALVAREZ IS CONSIDERED BY MANY TO BE THE ONE LIKELY TO EMERGE IN THE LEADERSHIP ROLE THE NATION REUT TF.# HE CLEARLY CONSIDERS HIMSELF CAPABLE AND MANY EXPECT THAT HE MIGHT MOVE TO FURTHER CONSOLIDATE HIS INFLUENCE WHEN KEY GENERALS SENIOR TO HIM WILL HAVE BEEN MANDATORILY RETIRED IN MID-1977.

5. SINCE BORDABERRY'S DEPARTURE THE CALIBER AND IMAGE OF THE GOVERNMENT TEAM HAS DETERIORATED AND PROSPECTS ARE THAT IT WILL DETERIORATE FURTHER. ECONOMIC MINISTER VEGH RESIGNED

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C O N F I D E N T I A L SECTION 2 OF 3 MONTEVIDEO 4928/2

IN AUGUST, OBJECTING TO THE PROPOSED DECREE DEPRIVING POLITICIANS OF THEIR RIGHTS. A FEW DAYS AGO AGRICULTURE MINISTER AZNAREZ RESIGNED. ALTHOUGH HIS RESIGNATION WAS PRECIPITATED BY SPECIFIC DIFFERENCES WITH BANK OF THE REPUBLIC (BOR) PRESIDENT, RAIMUNDEZ, AZNAREZ HAD TOLD THE PRESIDENT AND THE CINCS IN AUGUST THAT HE DISAGREED WITH POLITICAL TRENDS IN THE ADMINISTRATION. HE LEFT AS SOON AS HE WAS NO LONGER ABLE TO DO SOMETHING HE CONSIDERED WORTH- WHILE IN HIS FIELD OF COMPETENCE. FONMIN BLANCO AND MINISTER OF ECONOMY ARISMENDI ARE AMONG OTHERS BELIEVED TO FEEL THE SAME WAY AND BLANCO HAS JUST RESIG- NED.

7. IF THE CURRENT SITUATION CONTINUES, PRESSURE FOR FILLING THE NEED FOR EFFECTIVE LEADERSHIP MAY ACCELERATE EVEN THOUGH THERE HAS BEEN NO RUSH TO FILL IT TO DATE. AT THE MOMENT GENERAL ALVAREZ SEEMS TO BE THE PRIME CANDIDATE. THERE ARE RUMORS OF A POSSIBLE MILITARY-CIVILIAN TRIUMVERATE DOMINATED BY ALVAREZ, BUT THESE CANNOT BE ADEQUATELY EVALUATED. NO CIVILIAN IS IN A POSITION
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TO ASSUME POWER, POLITICAL PARTY ACTIVITY IS NOT PERMITTED AND THE MILITARY, WHILE CONTAINING OPPOSING FORCES, HAS MAINTAINED ACCEPTABLE UNITY. CONSERVATIVE FIRST DIVISION COMMANDER GENERAL CRISTI IS ON ONE SIDE WITH "POPULIST" FORTH DIVISION COMMANDER GENERAL ALVAREZ ON THE OTHER, AND THE BALANCE IS MAINTAINED BY SECOND DIVISION COMMANDER GENERAL EDUARDO ZUBIA, SUPPORTED BY HIS BROTHER, THIRD DIVISION COMMANDER GENERAL RODOLFO ZUBIA. NONE OF THE CINCS APPEAR TO HAVE THE INCLINATION OF SUPPORT TO MAKE A SUCCESSFUL POWER PLAY. NAVY CINC GONZALEZ MUST STEP DOWN NEXT APRIL WHEN HE COMPLETES FOUR YEARS IN HIS POSITION, ALTHOUGH

TECHNICALLY HE CAN REMAIN ON ACTIVE DUTY. AIR FORCE CINC PALADINI MUST RETIRE FEB 1, 1978, AND ARMY CINC VADORA MUST STEP DOWN AS CINC THE SAME DAY WHEN HE COMPLETES FOUR YEARS AS CINC, BUT NOT OUT OF THE SERVICE. VADORA RECENTLY HAS ACTED AS THE ARMED FORCES' SPOKESMAN, BUT HE HAS NOT EMERGED AS A PARTICULARLY POWERFUL, DYNAMIC INDIVIDUAL WITH A POWER PLAY IN MIND. MEANWHILE, ALVAREZ, KNOWING THAT CRISTI AND EDUARDO ZUBIA MUST RETIRE BY MID-1977, HAS MOVED SLOWLY, SEEMINGLY CONTENT FOR THE MOMENT TO WATCH THE CALENDAR, OFFER ADVICE, DEVELOP HIS INFLUENCE, AND WAIT OUT THE RETIREMENTS. FOLLOWING THIS COURSE, ALVAREZ HAS SIGNIFICANT SUPPORT IN THE ARMY, THE AIR FORCE, AND THE NATIONAL (BLANCO) PARTY. HE ALSO HAS SUPPORTERS IN KEY GOVERNMENT POSTS, MOST IMPORTANT AMONG THEM BEING THE SECRETARY OF PLANNING, COORDINATION AND INFORMATION, BRIG. CARDOZO AND OF GENERAL ABDON RAIMUNDEZ, THROUGH WHOM HE ASSERTS ECONOMIC INFLUENCE. HE ALSO APPEARS TO HAVE MORE PUBLIC APPEAL, PERHAPS EVEN SOME DEGREE OF CHARISMA, THAN DOES ANYONE ELSE ON THE SCENE TODAY. FOR ALL THESE REASONS, AND WHILE HE IS THE MAN TO WATCH, HIS PEERS MAY WELL CONTINUE TO CONSTRAIN HIM AS THEY HAVE BEEN ABLE TO DO UP TO NOW.

8. ON POLITICAL MATTERS FEW GENERALS ARE WILLING TO TAKE A FIRM STAND WITH THE RESULT THAT DECISIONS PRIMARILY REFLECT THE LINE OF LEAST RESISTENCE WITH NO ONE OF THEM EVEN ALVAREZ, TAKING A STRONG, INDEPENDENT STAND. WE BELIEVE, HOWEVER, THAT ALVAREZ HAS SUFFICIENT INFLUENCE TO VETO SOME APPOINTMENTS, AS HE

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REPORTEDLY DID TO A RECENT CANDIDATE FOR AGRICULTURE MINISTER. THE SEARCH FOR A NEW MINISTER CONTINUES, IN PART BECAUSE QUALIFIED CANDIDATES DO NOT WANT THE JOB.

9. THERE ARE TWO AREAS IN WHICH THERE IS BROAD AGREEMENT IN THE GOVERNMENT. THE URUGUAYAN CONSENSUS ON FOREIGN POLICY INCLUDES, INTER ALIA, IDENTIFICATION WITH THE WEST ON THE WORLD SCENE (INCLUDING, HOWEVER, GROWING ABSTENTION ON ARAB-ISRAELI CONFRONTATION, ARISING FROM ECONOMIC CONSIDERATIONS, PRIMARILY PETROLEUM PURCHASES AND MEAT SALES), FOMENTING CLOSER TIES AMONG STATES OF THE REGION AND A FIRM, ALMOST RABID, ANTI-COMMUNIST POSITION. DOMESTICALLY, THE GOVERNMENT, WITH SUPPORT OF THE ARMED FORCES, IS COMMITTED TO A RETURN TO GREATER PARTICIPATORY DEMOCRACY, ALBEIT ON A GRADUAL BASIS. IF ALVAREZ WERE TO ACHIEVE A GREATER POSITION OF POWER, DIRECTLY OR INDIRECTLY, FROM WHICH HE COULD EXERCISE LEADERSHIP AS WELL, HE WOULD PROBABLY STAY WITHIN BOUNDS OF URUGUAYAN CONSENSUS AS IT EXISTS NOW; BUT COULD BE EXPECTED TO MOVE MORE RAPIDLY TOWARDS DOMESTIC POLITICAL LIBERALIZATION, ESPECIALLY

IF HE COULD SEE IT WORK TO INSTALL HIMSELF AS AN ELECTED, CONSTITUTIONAL PRESIDENT.

10. IN CONTRAST TO THE GROWING EVIDENCE OF PUBLIC CONCERN FOR
DETERIORATION IN THE ADMINISTRATION, CLOSE OBSERVERS REPORT A
SENSE OF CALM SELF-ASSURANCE BORDERING ON UNAWARENESS AND A BUS-
INESS AS USUAL DEMEANOR WITHIN THE MILITARY ESTABLISHMENT.
THERE SEEMS TO BE LITTLE TURMOIL, JOCKEYING FOR POSITION OR ABNOR-
MAL IN-FIGHTING. THE ARMED FORCES BELIEVE THEY ARE GETTING THE
COUNTRY MOVING AGAIN ECONOMICALLY, THAT THEY ARE ATTACKING PROB-
LEMS RATIONALLY AND THAT THEY WILL LEAD THE NATION BACK TO SOME
VERSION OF PARTICIPATORY DEMOCRACY ACCORDING TO AN ANNOUNCED BUT
DELIBERATELY SLOW SCHEDULE. THIS CALM SELF-ASSURANCE VIEWED
FROM ANOTHER PERSPECTIVE MIGHT BE JUDGED EVEN TO BE A SENSE OF
SMUGNESS AND INSENSITIVITY. THIS IS ESPECIALLY TRUE IN REGARD
TO THE IMAGE THEY PROJECT ON ISSUES SUCH AS HUMAN RIGHTS. BASED,
APPARENTLY, ON THEIR OWN FIRM CONVICTION THAT THEY HAVE SAVED
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URUGUAY FROM A DESTRUCTIVE MARXIST CONSPIRACY AND ARE EMBARKED ON
A HIGHLY MORAL CAMPAIGN TO CLEANSE THE COUNTRY AND RESTORE ITS
TRADITIONS, THEY ARE SEEMINGLY BLIND TO THE MANNER IN WHICH THE
RIGIDITY OF THEIR METHOD MAY GIVE A TOTALLY DIFFERENT IMPRESSION
TO CRITICS ABROAD AND TO URUGUAYANS INTERNALLY WHO FEEL THE TIME
HAS COME FOR BROADER PARTICIPATION IN NATIONAL RESTORATION.
EXAMPLES OF THIS RIGIDITY AND PROBABLY RIGHTEOUS INSENSITIVITY IS
THE SLOWNESS, YEARS AFTER THE TUPAMARO THREAT WAS CLEARLY CON-
TAINED, WITH WHICH THEY ARE MOVING TOWARD A MORE LIBERAL ATTITUDE
IN LEGAL TREATMENT OF SECURITY PRISONERS AND SUSPECTS, AND THE

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(SOME RECENT MEASURES, AS REPORTED ELSEWHERE, MAY BRING IMPROVEMENT RESTORATION OF DUE PROCESS HERE.) ANOTHER IS THEIR RECENT REFUSAL TO PERMIT RED CROSS INSPECTION WHICH LED TO A DAMAGING EDZWBS#STATEMENT THAT THEY ARE UNWELCOME ONLY IN URUGUAY AND CUBA. IN THE SAME PATTERN IS THE INCREDIBLE TIMING OF THEIR EMBARGOING (ALBEIT WITH LEGAL BASIS) OF THE ASSETS OF WILSON FERREIRA PRECISELY WHEN, LAST JULY, HE WAS THE FOCUS OF ATTENTION IN WASHINGTON AS A WITNESS BEFORE CONGRESSIONAL COMMITTEES. FINALLY, THERE IS THE VASTLY UNPOPULAR INSTITUTIONAL ACT WHICH DEPRIVED MANY HUNDREDS OF FORMER POLITICAL LEADERS AND OFFICE HOLDERS OF THEIR POLITICAL RIGHTS. WHILE SOME MIGHT HAVE ACCLAIMED THIS AS JUST DESERTS OF LEADERS HELD RESPONSIBLE FOR THE PLIGHT TO WHICH URUGUAY HAD DESCENDED, THE FACT THAT IT WAS NOT COUPLED WITH ANY OPENING TOWARDS NEW POLITICAL LEADERSHIP MADE IT APPEAR TO BE SIMPLY VINDICTIVE AND POINTLESS; MORE SO SINCE THOSE DEPRIVED, LIKE EVERYONE ELSE, CANNOT PRESENTLY EXERCISE POLITICAL
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RIGHTS IN ANY CASE. THE NET EFFECT, THEREFORE, WAS A BLACK EYE FOR URUGUAY DOMESTICALLY AND ABROAD, AND NOTHING WHATSOEVER ACHIEVED.

11. CONTRASTING WITH THE POLITICAL RIGIDITY AND INSENSITIVITY OUTLINED, ECONOMIC PERFORMANCE TO DATE DOES JUSTIFY GENUINE SATISFACTION, PRIMARILY REFLECTING THE EFFECTS OF POLICIES ADOPTED DURING 1974 AND 1975, AS WELL AS IMPROVING WORLD MARKET CONDITIONS. IT IS FAIR TO SAY THAT THERE HAS BEEN CONTINUITY AND GOOD PERFORMANCE ON STABILIZATION POLICY, (PARTICULARLY WITH RESPECT TO BALANCE OF PAYMENTS, MONETARY, AND FISCAL POLICY). AGRICULTURAL PRODUCTION INCREASED SUBSTANTIALLY BOTH IN LIVESTOCK AND CROP SECTORS RESPONDING TO INCREASINGLY FAVORABLE PRICES AND AN IMPROVED EXTERNAL MARKET OUTLOOK. THERE WAS ALSO A BOOM IN NON-TRADITIONAL EXPORTS, WHICH NOW ACCOUNT FOR 52 PERCENT OF TOTAL EXPORTS, BUT LITTLE OR NO IMPORTANT PROGRESS MADE IN THE AREA OF INDUSTRIAL DEVELOPMENT THROUGH REDUCTION OF PROTECTION OR IMPORT LIBERALIZATION. THERE ARE ALSO SOME OTHER CLOUDS EMERGING WITH RESPECT TO THE FORMULATION OF ECONOMIC POLICY. THIS IS DUE TO THE GRADUAL REPLACEMENT OF SOME OF

THE OLD VEGH ECONOMIC TEAM (FORMER INDUSTRY MINISTER CARDOSO GUANI, FORMER PLANNING DIRECTOR ANICHINI, VEGH HIMSELF, AND MORE RECENTLY THE FORMER MINISTER OF AGRICULTURE AZNAREZ) WITH LESS-QUALIFIED PEOPLE MORE ATTUNED TO DIRECTION BY THE MILITARY COMMAND, AND PARTICULARLY RESPONSIVE TO THE ALVAREZ-RAIMUNDEZ FACTION OF THE ARMY.

12. A MORE SERIOUS CONCERN IS THE WAY ECONOMIC POLICY ISSUES ARE NOW DEALT WITH. DURING VEGH'S TENURE, IT WAS CLEAR TO EVERYONE WHO WAS IN CHARGE OF ECONOMIC POLICY AND WHO COULD MAKE DECISIONS. NOW THE PICTURE HAS CHANGED. THE NEW ECONOMIC TEAM INCLUDES TWO CIVILIANS, GIL AND ARISMENDI (BOTH CLOSE TO VEGH) AND TWO GENERALS, RAIMUNDEZ, PRESIDENT OF THE BANK OF THE R07?)8:RHAND BRIG. CARDOZO OF THE SECRETARIAT OF CONFIDENTIAL

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PLANNING AND INFORMATION.

13. GENERAL RAIMUNDEZ IS INCREASINGLY GAINING CONTROL OVER ECONOMIC POLICY, BOTH DUE TO HIS ALVAREZ-BACKED INFLUENCE IN THE ECONOMIC TEAM (AS PRESIDENT OF THE BOR) AND TO HIS STATUS AS "IN-HOUSE ECONOMIC EXPERT" ON THE JUNTA DE GENERALES. JOSE GIL APPEARS TO APPRECIATE THIS NEW SITUATION AND HAS APPARENTLY MADE HIS PEACE WITH GENERAL RAIMUNDEZ AFTER BEING SETTER CRITIC OF THE GESERAL DURING VEGH'S REGIME. THERE IS SOME SPECULATION THAT GIL HAS AN UNDERSTANDING WITH RAIMUNDEZ UNDER WHICH THE GENERAL WOULD NOT INTERFERE WITH GIL'S MANAGEMENT OF STABILIZATION POLICY AS LONGAS GIL DID NOT PRESS FOR DEVELOPMENT POLICY OR BANKING REFORMS THAT ADVERSELY AFFECTED THE GENERAL'S POLICY VIEWS OR INTEREST. GIVEN THE GENERAL'S WELL-KNOWN PROPENSITY FOR SUPPORTING STATISM, PROTECTION, PATERNALISM, AND BOR DOMINATION OF THE AGRICULTURAL, INDUSTRIAL AND BANKING SECTOR, THIS PROSPECT IS GIVING A SERIOUS CASE OF NERVES TO THE PRIVATE SECTOR.

14. DESPITE CONCERN DURING THE CONCLAVE ABOUT CONTINUING DECLINE IN REAL INCOMES, THE GOU LEADERSHIP, REFLECTING THE SUCCESS OF CURRENT ECONOMIC POLICY, REAFFIRMED THE POLICY GUIDELINES OF THE 1973 CONCLAVES, AND ORDERED ACTIVE IMPLEMENTATION OF THOSE GUIDELINES WHICH HAVE SO FAR NOT BEEN IMPLEMENTED (E.G. REDUCTION OF INDUSTRIAL PROTECTION) WHICH BY INCREASING COMPETITION AND EFFICIENCY SHOULD LEAD TO SLOWING DETERIORATION OR SOME IMPROVEMENT IN REAL INCOME. IN GENERAL, THE RECENT CONCLAVE PROVIDES A STRONG REAFFIRMATION OF LIBERAL ECONOMIC POLICY, INCLUDING DEVELOPMENT PRIORITIES AND SUPPORT FOR ECONOMY MINISTER ARISMENDI, AND CENTRAL BANK PRESIDENYSU DIAZ. WHETHER OR NOT PER-

FORMANCE IN IMPLEMENTING THESE GUIDELINES DURING 1977 IS
SATISFACTORY DEPENDS ON REACHING A MILITARY-CIVILIAN CON-
SENSUS ON WHAT ARE ADMITTEDLY DIFFICULT POLITICAL DECISIONS.
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15. WITH THE DEPARTURE OF PRESIDENT BORDABERRY AND VEGH
VILLEGAS, AND THE WEAKNESS OF PRESIDENT MENDEZ, THE COLLEGIAL
STYLE OF DECISION MAKING
THROUGH THE JUNTA DE GENERALES, IS HAVING ITS IMPACT ON
ECONOMIC POLICY, TOO. TO THE EXTENT THAT ECONOMIC POLICY
MAKING APPEARS TO BE INCREASINGLY DOMINATED BY GENERAL
RAIMUNDEZ, THE PRIVATE SECTOR, INTERNATIONAL AGENCIES AND BANKING
INSTITUTIONS ARE GOING TO WATCH VERY CAREFULLY FOR SIGNS OF
ABANDONMENT OF VEGH'S LIBERAL ECONOMIC POLICY IN THE YEAR
AHEAD, DESPITE THE FACT THAT THE 1976 PERFORMANCE INDICATORS
ARE VERY FAVORABLE.

12.. THE FOREGOING IS A COUNTRY TEAM ASSESSMENT.
SIRACUSA

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